

LATHAM & WATKINS LLP
Patrick E. Gibbs, Bar No. 183174
patrick.gibbs@lw.com
Matthew Rawlinson, Bar No. 231890
matt.rawlinson@lw.com
140 Scott Drive
Menlo Park, California 94025
Telephone: +1.650.328.4600
Facsimile: +1.650.463.2600

LATHAM & WATKINS LLP
Michele D. Johnson, Bar No. 198298
michele.johnson@lw.com
Colleen C. Smith, Bar No. 231216
colleen.smith@lw.com
650 Town Center Drive, 20th Floor
Costa Mesa, California 92626-1925
Telephone: +1.714.540.1235
Facsimile: +1.714.755.8290

Attorneys for Defendants
Manouch Moshayedi,
Mehrddad Moshayedi
Raymond D. Cook, and
Rajat Bahri

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

WILLIAM A. SOKOLOWSKI,
Plaintiff,
v.
MANOUCH MOSHAYEDI, *et al.*,
Defendants,
and
STEC, INC., a California Corporation,
Nominal Defendant.

Case No. 8:12-cv-01862-JVS(MLGx)
Consolidated with Lead Case No. 8:10-cv-00667-JVS(MLGx)

**DEFENDANTS MANOUCH
MOSHAYEDI, MEHRDAD
MOSHAYEDI, RAYMOND D. COOK,
AND RAJAT BAHRI'S ANSWER TO
PLAINTIFF SOKOLOWSKI'S
DIRECT CLAIMS FOR VIOLATION
OF FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

Judge: Hon. James V. Selna
Court: 10C

Consistent with the Court's March 22, 2013 Order (Dkt # 66), Defendants Manouch ("Manouch") Moshayedi, Mehrdad ("Mark") Moshayedi, Raymond D. Cook, and Rajat Bahri (collectively, "Defendants") hereby answer Plaintiff William A. Sokolowski's direct and individual claims for violations of Sections 10(b) and Rule 10b-5 thereunder, and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j, 78t (collectively, the "Securities Law Claims") contained in Plaintiff's Complaint for Violation of Federal Securities Laws. No part of this answer is intended to or shall constitute an answer or response on behalf of any other defendant named in the Complaint, other than those Defendants identified in this paragraph.¹

Defendants expressly are not responding to or answering Plaintiff's demand allegations or derivative claims for Breach of Fiduciary Duty (Count III), Unjust Enrichment (Count IV), Violation of California Corporations Code § 25402 (Count V), and Waste of Corporate Assets (Count VI). No part of this answer is intended to or shall constitute an answer or response to any of Plaintiff's demand allegations or derivative claims. Furthermore, no part of this answer is intended to or shall constitute an answer or response to any of the demand allegations or derivative claims asserted in the Consolidated Derivative Action *In re STEC, Inc. Derivative Litigation*, No. CV10-00667-JVS(MLGx), into which the Court consolidated this action by Order dated January 23, 2013 (Docket # 39). Defendants expressly reserve their rights to seek dismissal of all of Plaintiff's demand allegations and derivative claims, as well as those in the operative Consolidated Derivative Action, pursuant to applicable federal law, including, but not limited to, Rules 12 and 23.1 of the Federal Rules of Civil Procedure. Defendants further reserve their rights to

¹ The Securities Act Claims are not asserted against Defendants Robert M. Saman, Masoud Moshayedi, Dan Moses, F. Michael Ball, Matthew Witte, Christopher Colpitts, the Mehrdad Moshayedi Trust, the Manouch Moshayedi Trust, or the Masoud Moshayedi Trust. Compl. ¶ 1.

request dismissal of the Complaint on any ground. To the extent not explicitly admitted, all allegations of the Complaint are denied.²

ANSWER TO SPECIFIC ALLEGATIONS

Defendants incorporate the Introduction of this Answer as if fully set forth herein and answer each specific allegation as follows:

1. Answering Paragraph 1, this Paragraph sets forth Plaintiff's characterization of this action as well as legal conclusions that do not require a response from Defendants. To the extent that Paragraph 1 contains factual allegations requiring a response, Defendants deny the allegations of this Paragraph.

2. Answering Paragraph 2, Defendants admit that PriceWaterhouseCoopers, LLP ("PWC") was STEC, Inc.'s auditor between June 16, 2009 and February 23, 2010 (the "Relevant Period," as defined by Plaintiff). Except as expressly admitted, Defendants deny the allegations of this Paragraph.

3. Answering Paragraph 3, Defendants admit that Manouch Moshayedi and Mark Moshayedi are brothers and were among the co-founders of STEC, Inc. ("STEC"). Defendants deny the remaining allegations of this Paragraph.

4. Answering Paragraph 4, Defendants Manouch Moshayedi and Mark Moshayedi admit that they sold certain shares of STEC stock in a public offering announced on August 3, 2009 (the "Secondary Offering"). Except as expressly admitted, Defendants deny the allegations of this Paragraph.

5. Answering Paragraph 5, Defendants admit that on July 19, 2012 the Securities and Exchange Commission ("SEC") filed a civil action against Manouch Moshayedi (the "SEC Lawsuit"). Except as expressly admitted, Defendants deny the allegations of this Paragraph.

² To the extent the headings in the Complaint are intended to constitute factual allegations, Defendants deny each and every such allegation. To the extent the prefatory material on page 2 of the Complaint prior to Paragraph 1 is intended to constitute factual allegations, Defendants deny each and every such allegation.

1 6. Answering Paragraph 6, Defendants admit that Masoud “Mike”
2 Moshayedi was not an officer or director of STEC during the Relevant Period.
3 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

4 7. Defendants expressly reserve response to Plaintiff’s demand
5 allegations and derivative claims, including Paragraph 7, and no part of this
6 answer constitutes an answer or response to any such allegations or claims.

7 8. Answering Paragraph 8, with respect to the first sentence, Defendants
8 lack knowledge or information sufficient to form a belief as to the truth of the
9 allegations contained therein regarding the Plaintiff’s alleged purchase of STEC
10 securities and deny the allegations on that basis. The remainder of this Paragraph
11 sets forth Plaintiff’s characterization of this action as well as legal conclusions and
12 does not require a response from Defendants. To the extent Paragraph 8 contains
13 factual allegations requiring a response, Defendants deny the allegations of this
14 Paragraph.

15 9. Defendants expressly reserve response to Plaintiff’s demand
16 allegations and derivative claims, including Paragraph 9, and no part of this
17 answer constitutes an answer or response to any such allegations or claims.

18 10. Answering Paragraph 10, this Paragraph sets forth Plaintiff’s
19 characterization of this action as well as legal conclusions and does not require a
20 response from Defendants. To the extent that Paragraph 10 contains factual
21 allegations requiring a response, Defendants deny the allegations of this
22 Paragraph.

23 11. Answering Paragraph 11, Defendants admit that during the Relevant
24 Period, STEC was a manufacturer of data storage devices for computer systems,
25 and that STEC’s customers included original equipment manufacturers (“OEMs”),
26 such as EMC, IBM, Hitachi, Hewlett-Packard (“HP”) and Sun Microsystems
27 (“Sun”). With regard to the remaining allegations of this Paragraph, Defendants
28

1 lack knowledge or information sufficient to form a belief as to the truth of the
2 allegations and deny the allegations on that basis.

3 12. Answering Paragraph 12, with regard to the first and second
4 sentences, Defendants admit that STEC manufactured enterprise-class solid-state
5 drives (“SSDs”) and that SSDs are used for storing information in a computer
6 system. With regard to the third, fourth, and fifth sentences, Defendants respond
7 that the allegations constitute a misleading and inaccurate oversimplification of a
8 complex engineering and manufacturing process and deny the allegations on that
9 basis. Except as expressly admitted, Defendants deny the allegations of this
10 Paragraph.

11 13. Answering Paragraph 13, Defendants admit that STEC’s ZeusIOPS
12 SSD product was, during the Relevant Period, a high-performance enterprise-class
13 data storage solution. With regard to the remaining allegations of Paragraph 13,
14 Defendants respond that the allegations constitute a misleading and inaccurate
15 oversimplification of a complex engineering and manufacturing process and deny
16 the allegations on that basis. Except as expressly admitted, Defendants deny the
17 allegations of this Paragraph.

18 14. Answering Paragraph 14, with regard to the first sentence, Defendants
19 admit that STEC was founded in 1990 by Manouch Moshayedi, Mark Moshayedi
20 and Mike Moshayedi. With regard to the second sentence, Defendants admit that
21 Manouch Moshayedi, Mark Moshayedi, and Mike Moshayedi have served as
22 officers and directors of the Company. With regard to the third sentence,
23 Defendants admit that Manouch Moshayedi was the Company’s Chief Executive
24 Officer (“CEO”) and Chairman of the Company’s Board of Directors and that he
25 held these positions during the Relevant Period, inclusive. With regard to the
26 fourth sentence, Defendants admit that Mark Moshayedi was the Company’s
27 Chief Operating Officer (“COO”), Chief Technical Officer (“CTO”), President
28 and Secretary, as well as a member of STEC’s Board of Directors and Equity

1 Awards Committee, and that he held these positions during the Relevant Period.
2 With regard to the fifth sentence, Defendants admit that Mike Moshayedi was
3 formerly the Company's President and that he retired in 2007. Except as
4 expressly admitted, Defendants deny the allegations of this Paragraph.

5 15. Answering Paragraph 15, with regard to the first sentence, this
6 sentence sets forth Plaintiff's legal conclusions and does not require a response
7 from Defendants. With regard to the second sentence, Defendants Manouch
8 Moshayedi and Mark Moshayedi admit that together they owned approximately
9 35.4% of STEC's common stock at the beginning of the Relevant Period. With
10 regard to the third sentence, this sentence sets forth Plaintiff's legal conclusions
11 and does not require a response from Defendants. Except as expressly admitted,
12 Defendants deny the allegations of this Paragraph.

13 16. Answering Paragraph 16, Defendants deny the allegations contained
14 therein, except to the extent that the allegations constitute Plaintiff's legal
15 conclusions to which no response is required.

16 17. Answering Paragraph 17, the allegations contained in Paragraph 17
17 and its subparagraphs contain Plaintiff's legal conclusions and do not require a
18 response from Defendants. To the extent that Paragraph 17 and its subparagraphs
19 contain factual assertions requiring a response, Defendants deny the allegations of
20 this Paragraph.

21 18. Answering Paragraph 18, Defendants respond that prices of STEC
22 stock over time are publicly available. The remaining allegations of this
23 Paragraph contain Plaintiff's legal conclusions and do not require a response from
24 Defendants. To the extent that Paragraph 18 contains factual assertions requiring
25 a response, Defendants deny the allegations of this Paragraph.

26 19. Answering Paragraph 19, Defendants admit that STEC announced the
27 Secondary Offering on August 3, 2009. Defendants deny the remaining
28 allegations of this Paragraph.

1 20. Answering Paragraph 20, Defendants deny the allegations of this
2 Paragraph.

3 21. Answering Paragraph 21, Defendants Manouch Moshayedi and Mark
4 Moshayedi admit that certain shares sold in the Secondary Offering were sold by
5 the Trust Defendants. Defendants deny the remaining allegations in this
6 Paragraph, including the accompanying footnote.

7 22. Answering Paragraph 22, with regard to the first sentence, Defendants
8 admit that STEC's 2009 Form 10-K, filed with the SEC on February 23, 2010,
9 reported that the SEC was conducting a formal investigation involving trading in
10 STEC securities, that certain of STEC's officers and employees, including
11 Manouch Moshayedi and Mark Moshayedi, received subpoenas in connection
12 with the investigation, and that Defendants fully cooperated with the SEC with
13 regard to the investigation. Except as expressly admitted, Defendants deny the
14 allegations of this Paragraph.

15 23. Answering Paragraph 23, this Paragraph sets forth Plaintiff's
16 characterization of this action as well as legal conclusions and does not require a
17 response from Defendants. To the extent that Paragraph 23 contains factual
18 assertions requiring a response, Defendants deny the allegations of this Paragraph.

19 24. Answering Paragraph 24, Defendants admits that this Court has
20 jurisdiction over federal claims brought under 15 U.S.C. § 78aa. Defendants deny
21 the remaining allegations in this Paragraph, except to the extent that the
22 allegations constitute legal conclusions that do not require a response.

23 25. Answering Paragraph 25, with regard to the first sentence, Defendants
24 lack knowledge or information sufficient to form a belief as to the truth of the
25 allegations contained therein and deny the allegations on that basis. With regard
26 to the second sentence, Defendants admit that venue in this district is proper
27 because each Defendant either resides or conducts business in this district. With
28 regard to the third sentence, Defendants admit that STEC maintains its principal

1 place of business at 3001 Daimler Street, Santa Ana, California 92705, and that
2 this location is the principal place of business for Manouch Moshayedi, Mark
3 Moshayedi, and Raymond D. Cook. Defendants deny the remaining allegations of
4 this Paragraph, except to the extent that the allegations constitute legal
5 conclusions that do not require a response.

6 26. Answering Paragraph 26, Defendants admit that they have used the
7 United States mail, interstate telephone communications, and the facilities of the
8 national securities markets. Defendants deny the remaining allegations of this
9 Paragraph.

10 27. Answering Paragraph 27, Defendants lack knowledge or information
11 sufficient to form a belief as to the truth of the allegations regarding Plaintiff's
12 ownership of STEC securities, and deny the allegations on that basis. Defendants
13 deny the remaining allegations of this Paragraph, except to the extent that the
14 allegations constitute Plaintiff's legal conclusions to which no response is
15 required.

16 28. Answering Paragraph 28, with regard to the first sentence, Defendants
17 admit that STEC is a California corporation with its principal place of business
18 located at 3001 Daimler Street, Santa Ana, California 92705. With regard to the
19 second sentence, Defendants admit that STEC is a leading global provider of solid
20 state technologies and solutions tailored to meet the high-performance, high-
21 reliability needs of OEMs such as EMC, IBM, HP, Hitachi and Sun. With regard
22 to the third sentence, Defendants admit that during the Relevant Period, STEC
23 manufactured and sold enterprise-class solid-state drives ("SSDs"), such as the
24 ZeusIOPS. With regard to the fourth sentence, Defendants admit that STEC
25 manufactures a comprehensive line of SSDs for the enterprise storage industry.
26 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

27 29. Answering Paragraph 29, with regard to the first sentence, Defendants
28 admit that Manouch Moshayedi, Mark Moshayedi and Mike Moshayedi founded

1 STEC, then named Simple Technology, Inc., in 1990. With regard to the second
2 sentence, Defendants aver that the phrase “grew rapidly through acquisitions and
3 expansions” is vague and ambiguous and deny the allegations on that basis. With
4 regard to the third sentence, Defendants admit that STEC went public in
5 September 2000. With regard to the fourth sentence, Defendants admit that in
6 2007, STEC sold its consumer division, and introduced the ZeusIOPS SSDs, a
7 high-performance enterprise-class data storage solution. Except as expressly
8 admitted, Defendants deny the allegations of this Paragraph.

9 30. Answering Paragraph 30, with regard to the first sentence, Defendants
10 admit that during the Relevant Period, STEC’s stock was publicly traded on
11 NASDAQ under the ticker symbol “STEC.” With regard to the second sentence,
12 Defendants admit that as of August 24, 2012, the Company had approximately
13 46.7 million shares of common stock outstanding. Except as expressly admitted,
14 Defendants deny the allegations of this Paragraph.

15 31. Answering Paragraph 31, with regard to subparagraph (a), concerning
16 the first sentence, Defendants admit that Manouch Moshayedi was the Company’s
17 CEO, Chairman of the Company’s Board of Directors, and a member of the
18 Equity Awards Committee, and that he held these positions during the Relevant
19 Period. With regard to the second sentence, Defendants admit that during the
20 Relevant Period, Manouch Moshayedi signed and certified STEC’s SEC filings
21 pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, including
22 the Company’s quarterly report for the second quarter of 2009 and the 2009 Form
23 10-K. With regard to the third sentence, Defendants admit that Manouch
24 Moshayedi signed documents in connection with the Secondary Offering,
25 including the Registration Statement on the Form S-3 and the Prospectus
26 contained in the Registration Statement. Except as expressly admitted,
27 Defendants deny the allegations of subparagraph (a).

28

1 With regard to subparagraph (b), concerning the first sentence, Defendants
2 admit that Mark Moshayedi is the Company's CEO, COO, CTO, President and
3 Secretary, as well as a member of the Company's Board of Directors and Equity
4 Awards Committee, and that he held the position of COO, CTO, President and
5 Secretary during the Relevant Period. With regard to the second sentence,
6 Defendants admit that during the Relevant Period, Mark Moshayedi signed
7 STEC's SEC filings, including the Registration Statement on Form S-3 and the
8 2009 Form 10-K. Except as expressly admitted, Defendants deny the allegations
9 of subparagraph (b).

10 With regard to subparagraph (c), concerning the first sentence, Defendants
11 admit that STEC hired Raymond D. Cook in November 2008. With regard to the
12 second sentence, Defendants admit that Raymond D. Cook is STEC's Chief
13 Financial Officer ("CFO") and Principal Accounting Officer and that he held
14 these positions during the Relevant Period. With regard to the third sentence,
15 Defendants admit that during the Relevant Period, Raymond D. Cook signed
16 STEC's SEC filings, including the Registration Statement on Form S-3, the
17 Company's quarterly report for the second quarter of 2009, the Company's current
18 report on Form 8-K for its 2009 second quarter earnings release, the Company's
19 quarterly report for the third quarter of 2009, the 2009 third quarter earnings
20 release, the 2009 Form 10-K, the Company's current report on Form 8-K for its
21 2009 fourth quarter earnings release, and STEC's September 10, 2009 letter to the
22 SEC. Except as expressly admitted, Defendants deny the allegations of
23 subparagraph (c).

24 With regard to subparagraph (d), concerning the first sentence, Defendants
25 admit that Rajat Bahri, Christopher Colpitts, F. Michael Ball, Dan Moses and
26 Matthew Witte were members of STEC's Board of Directors during the Relevant
27 Period. Defendants deny the remaining allegations contained in subparagraph (d),
28

1 except to the extent that the allegations constitute Plaintiff's legal conclusions to
2 which no response is required.

3 With regard to subparagraph (e), Defendants deny the allegations, except to
4 the extent that the allegations constitute Plaintiff's legal conclusions to which no
5 response is required.

6 Except as expressly admitted, Defendants deny the allegations of this
7 Paragraph and its subparagraphs.

8 32. Answering Paragraph 32, Defendants admit that Manouch
9 Moshayedi, Mark Moshayedi, Raymond D. Cook and Rajat Bahri signed STEC's
10 Registration Statement on Form S-3 and STEC's 2009 Form 10-K. Defendants
11 deny the remaining allegations of this Paragraph, except to the extent that the
12 allegations constitute Plaintiff's legal conclusions to which no response is
13 required.

14 33. Answering Paragraph 33, Defendants deny the allegations contained
15 therein, except to the extent that the allegations constitute Plaintiff's legal
16 conclusions to which no response is required.

17 34. Answering Paragraph 34, with regard to the first sentence, Defendants
18 admit that Manouch Moshayedi, Mark Moshayedi and Mike Moshayedi formed
19 certain trusts for the benefit of themselves and their respective families. Except as
20 expressly admitted, Defendants deny the allegations of this Paragraph.

21 35. Answering Paragraph 35, this Paragraph sets forth Plaintiff's legal
22 conclusions and does not require a response from Defendants. To the extent
23 Paragraph 35 contains factual assertions requiring a response, Defendants deny
24 the allegations of this Paragraph.

25 36. Answering Paragraph 36, with regard to the first and second
26 sentences, Defendants lack knowledge or information sufficient to form a belief as
27 to the truth of the allegations. With regard to the third sentence, Defendants admit
28 that, during the Relevant Period, PWC acted as the Independent Registered Public

1 Accounting Firm (“auditor”) of STEC’s financial statements and formally
2 reported upon its year-end statements. With regard to the fourth and fifth
3 sentences, Defendants lack knowledge or information sufficient to form a belief as
4 to the truth of the allegations. The remainder of Paragraph 36 sets forth Plaintiff’s
5 characterization of this action as well as legal conclusions and does not require a
6 response from Defendants. Except as expressly admitted, Defendants deny the
7 allegations of this Paragraph.

8 37. Answering Paragraph 37, this Paragraph sets forth Plaintiff’s
9 characterizations and legal conclusions and does not require a response. To the
10 extent Paragraph 37 contains factual assertions requiring a response, Defendants
11 deny the allegations of this Paragraph.

12 38. Answering Paragraph 38, Defendants admit that on March 12, 2009,
13 STEC filed with the SEC a Form 10-K for fiscal year 2008. Except as expressly
14 admitted, Defendants deny the allegations in this Paragraph.

15 39. Answering Paragraph 39, Defendants respond that the allegations
16 constitute a misleading and inaccurate oversimplification of a lengthy and
17 complex design-to-production process and deny the allegations of this Paragraph
18 on that basis. Answering the footnote in Paragraph 39, with regard to the first
19 sentence, Defendants admit that on August 4, 2008, STEC hosted a conference
20 call, the transcript of which is publicly available. Except as expressly admitted,
21 Defendants deny the allegations of this Paragraph and the accompanying footnote.

22 40. Answering Paragraph 40, Defendants respond that the allegations
23 constitute a misleading and inaccurate oversimplification of a lengthy and
24 complex design-to-production process and deny the allegations of this Paragraph
25 on that basis. Defendants admit that on August 4, 2008, STEC hosted a second
26 quarter 2008 conference call, the transcript of which is publicly available. Except
27 as expressly admitted, Defendants deny the allegations of this Paragraph.
28

1 41. Answering Paragraph 41, Defendants respond that the allegations
2 constitute a misleading and inaccurate oversimplification of a lengthy and
3 complex design-to-production process and deny the allegations of this Paragraph
4 on that basis. Defendants admit that STEC filed a Form 10-K for fiscal year 2008
5 with the SEC and that the Form 10-K is publicly available. Except as expressly
6 admitted, Defendants deny the allegations of this Paragraph.

7 42. Answering Paragraph 42, with regard to the first sentence, Defendants
8 admit that in 2007, ZeusIOPS had not yet been qualified by any enterprise storage
9 OEM. With regard to the second sentence, Defendants admit that on May 17,
10 2007, STEC hosted a first quarter 2007 conference call, the transcript of which is
11 publicly available. Except as expressly admitted, Defendants deny the allegations
12 of this Paragraph.

13 43. Answering Paragraph 43, Defendants admit that on January 14, 2008,
14 STEC issued a press release that is publicly available. Defendants lack
15 knowledge or information sufficient to form a belief as to the truth of the
16 remaining allegations in the first sentence and deny the allegations on that basis.
17 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

18 44. Answering Paragraph 44, Defendants admit that on March 5, 2008,
19 STEC hosted a year-end conference call, the transcript of which is publicly
20 available. Except as expressly admitted, Defendants deny the allegations of this
21 Paragraph.

22 45. Answering Paragraph 45, Defendants aver that STEC filed with the
23 SEC a Form 10-Q for third quarter 2008, which 10-Q is publicly available.
24 Defendants further aver that on November 10, 2008, STEC hosted a third quarter
25 2008 conference call, the transcript of which is publicly available. Except as
26 expressly admitted, Defendants deny the allegations of this Paragraph.

27 46. Answering Paragraph 46, Defendants aver that STEC hosted a first
28 quarter 2009 conference call, the transcript of which is publicly available.

1 Answering the footnote in Paragraph 46, Defendants respond that this footnote
2 sets forth Plaintiff's legal conclusions and does not require a response from
3 Defendants. Except as expressly admitted, Defendants deny the allegations of
4 this Paragraph and its footnote.

5 47. Answering Paragraph 47, Defendants admit that STEC hosted a
6 second quarter 2009 conference call, the transcript of which is publicly available.
7 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

8 48. Answering Paragraph 48, Defendants admit that STEC filed a Form
9 10-K for fiscal year 2008 with the SEC, which is publicly available. Answering
10 the footnote in Paragraph 48, Defendants admit that on May 14, 2007, STEC
11 hosted a first quarter 2007 conference call and on May 5, 2008, STEC hosted a
12 first quarter 2008 conference call, the transcripts of which are publicly available.
13 Defendants lack knowledge and information sufficient to form a belief as to the
14 truth of the allegations regarding EMC's expectations as contained in the second
15 sentence of the footnote and deny the allegations on that basis. Except as
16 expressly admitted, Defendants deny the allegations of this Paragraph and its
17 footnote.

18 49. Answering Paragraph 49, Defendants admit that on May 14, 2007,
19 STEC hosted a first quarter 2007 conference call, the transcript of which is
20 publicly available. Except as expressly admitted, Defendants deny the allegations
21 of this Paragraph.

22 50. Answering Paragraph 50, Defendants admit that on August 3, 2009,
23 STEC hosted a second quarter 2009 conference call, the transcript of which is
24 publicly available. Except as expressly admitted, Defendants deny the allegations
25 of this Paragraph.

26 51. Answering Paragraph 51, Defendants deny the allegations of this
27 Paragraph.
28

1 52. Answering Paragraph 52, Defendants admit that from the first quarter
2 of 2007 through the second quarter of 2009, STEC's revenues from ZeusIOPS
3 sales increased from quarter to quarter and year to year. Except as expressly
4 admitted, Defendants deny the allegations of this Paragraph.

5 53. Answering Paragraph 53, Defendants admit that STEC reported total
6 revenues for fiscal year 2007 from the sales of SSDs in the amount of \$11 million,
7 and that STEC reported total revenues from the sales of ZeusIOPS for the fourth
8 quarter of 2007 in the amount of \$7 million. Except as expressly admitted,
9 Defendants deny the allegations of this Paragraph.

10 54. Answering Paragraph 54, with regard to the first sentence, Defendants
11 admit that STEC reported total revenues for fiscal year 2008 from the sales of
12 ZeusIOPS in the amount of \$52.7 million. With regard to the second sentence,
13 Defendants admit that on March 12, 2009, STEC hosted a year-end conference
14 call, the transcript of which is publicly available. Except as expressly admitted,
15 Defendants deny the allegations of this Paragraph.

16 55. Answering Paragraph 55, with regard to the first sentence, Defendants
17 admit that on March 12, 2009, STEC hosted a fourth quarter 2008 and year-end
18 conference call, the transcript of which is publicly available. With regard to the
19 second sentence, Defendants lack knowledge and information sufficient to form a
20 belief as to the truth of the allegations and deny the allegations on that basis.
21 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

22 56. Answering Paragraph 56, Defendants admit that STEC reported total
23 revenues from the sales of ZeusIOPS for the second quarter of 2009 in the amount
24 of \$57.7 million, and that STEC reported total revenues from the sales of
25 ZeusIOPS for the first half of 2009 in the amount of \$83.4 million. Except as
26 expressly admitted, Defendants deny the allegations of this Paragraph.

27 57. Answering Paragraph 57, Defendants admit that total revenues from
28 the sales of ZeusIOPS to EMC for the first quarter of 2009 were approximately

1 \$7.55 million, and that total revenues from the sales of ZeusIOPS to EMC for the
2 second quarter of 2009 were approximately \$33.25 million. Further answering
3 Paragraph 57 and its footnote, Defendants admit that on November 3, 2009, STEC
4 hosted a third quarter 2009 conference call, the transcript of which is publicly
5 available. Defendants further admit that on August 3, 2009, STEC filed a Form
6 10-Q for second quarter 2009 and a Registration Statement on Form 424B3 with
7 the SEC, which filings are publicly available. Except as expressly admitted,
8 Defendants deny the allegations of this Paragraph and its footnote.

9 58. Answering Paragraph 58, Defendants admit that on July 16, 2009,
10 STEC issued a press release that is publicly available. Except as expressly
11 admitted, Defendants deny the allegations of this Paragraph

12 59. Answering Paragraph 59, Defendants admit that in July 2009, STEC
13 entered an agreement with EMC pursuant to which EMC agreed to purchase \$120
14 million of ZeusIOPS in the second half of 2009. Except as expressly admitted,
15 Defendants deny the allegations of this Paragraph.

16 60. Answering Paragraph 60, Defendants admit that on July 16, 2009,
17 STEC issued a press release that is publicly available. Except as expressly
18 admitted, Defendants deny the allegations of this Paragraph.

19 61. Answering Paragraph 61, with regard to the second sentence,
20 Defendants admit that on July 16, 2009, Oppenheimer published an analyst report
21 regarding STEC, which report is publicly available. Except as expressly admitted,
22 Defendants deny the allegations of this Paragraph.

23 62. Answering Paragraph 62, Defendants lack knowledge and information
24 sufficient to form a belief as to the truth of the allegations and deny the allegations
25 on that basis.

26 63. Answering Paragraph 63, Defendants lack knowledge and information
27 sufficient to form a belief as to the truth of the allegations and deny the allegations
28 on that basis.

1 64. Answering Paragraph 64, Defendants admit that the prices of STEC
2 stock over time are publicly available. Except as expressly admitted, Defendants
3 deny the allegations of this Paragraph.

4 65. Answering Paragraph 65, Defendants admit that on August 3, 2009,
5 STEC filed an earnings release on Form 8-K for second quarter 2009 with the
6 SEC, which 8-K is publicly available. Except as expressly admitted, Defendants
7 deny the allegations of this Paragraph.

8 66. Answering Paragraph 66, Defendants admit that on August 3, 2009,
9 STEC filed a Prospectus on Form 424B3 with the SEC, which Prospectus is
10 publicly available. Except as expressly admitted, Defendants deny the allegations
11 of this Paragraph.

12 67. Answering Paragraph 67, Defendants admit that on August 28, 2009,
13 Needham published an analyst report regarding STEC, which report is publicly
14 available. Further answering Paragraph 67, Defendants lack knowledge and
15 information sufficient to form a belief as to the truth the allegations regarding
16 investors' understanding, and deny the allegations on that basis. Except as
17 expressly admitted, Defendants deny the allegations of this Paragraph.

18 68. Answering Paragraph 68, Defendants Manouch Moshayedi and Mark
19 Moshayedi admit that they sold certain shares of STEC stock in the Secondary
20 Offering. Except as expressly admitted, Defendants deny the allegations of this
21 Paragraph.

22 69. Answering Paragraph 69, Defendants admit that on November 3,
23 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
24 publicly available. Except as expressly admitted, Defendants deny the allegations
25 of this Paragraph.

26 70. Answering Paragraph 70, Defendants admit that on November 3,
27 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
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1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 71. Answering Paragraph 71, Defendants admit that on November 3,
4 2009, STEC filed an earnings release on Form 8-K for third quarter 2009 with the
5 SEC, which 8-K is publicly available. Except as expressly admitted, Defendants
6 deny the allegations of this Paragraph.

7 72. Answering Paragraph 72, Defendants admit that on November 3,
8 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
9 publicly available. Except as expressly admitted, Defendants deny the allegations
10 of this Paragraph.

11 73. Answering Paragraph 73, Defendants admit that on February 23,
12 2010, STEC filed an earnings release with the SEC on Form 8-K for fourth
13 quarter 2009 and fiscal year 2009, which 8-K is publicly available. Except as
14 expressly admitted, Defendants deny the allegations of this Paragraph.

15 74. Answering Paragraph 74, Defendants admit that on February 24,
16 2010, B. Riley published an analyst report regarding STEC, which report is
17 publicly available. Except as expressly admitted, Defendants deny the allegations
18 of this Paragraph.

19 75. Answering Paragraph 75, Defendants admit that on February 24,
20 2010, Oppenheimer published an analyst report regarding STEC, which report is
21 publicly available. Except as expressly admitted, Defendants deny the allegations
22 of this Paragraph.

23 76. Answering Paragraph 76, Defendants admit that on February 23,
24 2010, Deutsche Bank published an analyst report regarding STEC, which report is
25 publicly available. Except as expressly admitted, Defendants deny the allegations
26 of this Paragraph.

27 77. Answering Paragraph 77, Defendants admit that on February 24,
28 2010, Thomas Weisel Partners published an analyst report regarding STEC, which

1 report is publicly available. Except as expressly admitted, Defendants deny the
2 allegations of this Paragraph.

3 78. Answering Paragraph 78, Defendants admit that on February 23,
4 2010, STEC hosted a fourth quarter and fiscal year 2009 conference call, the
5 transcript of which is publicly available. Defendants further admit that STEC
6 reported total revenues from the sales of ZeusIOPS for the first quarter of 2010 in
7 the amount of \$10.4 million. Except as expressly admitted, Defendants deny the
8 allegations of this Paragraph and the accompanying footnote.

9 79. Answering Paragraph 79, Defendants admit that STEC issued press
10 releases on July 16, 2009 and August 3, 2009 that are publicly available.
11 Defendants further admit that on November 3, 2009, STEC hosted a third quarter
12 2009 conference call, the transcript of which is publicly available. Except as
13 expressly admitted, Defendants deny the allegations of this Paragraph.

14 80. Answering Paragraph 80, Defendants admit that on August 3, 2009,
15 STEC hosted a second quarter 2009 conference call, the transcript of which is
16 publicly available. Except as expressly admitted, Defendants deny the allegations
17 of this Paragraph.

18 81. Answering Paragraph 81, Defendants deny the allegations of this
19 Paragraph.

20 82. Answering Paragraph 82, Defendants deny the allegations of this
21 Paragraph.

22 83. Answering Paragraph 83, Defendants admit that on November 10,
23 2008, STEC hosted a third quarter 2008 conference call, the transcript of which is
24 publicly available. Except as expressly admitted, Defendants deny the allegations
25 of this Paragraph.

26 84. Answering Paragraph 84, Defendants admit that on January 14, 2008,
27 STEC issued a press release that is publicly available. Defendants deny the
28

1 remaining allegations of Paragraph 84. Except as expressly admitted, Defendants
2 deny the allegations of this Paragraph.

3 85. Answering Paragraph 85, Defendants admit that on March 12, 2009,
4 STEC filed a Form 10-K for fiscal year 2008 with the SEC, which 10-K is
5 publicly available. With regard to the third sentence, Defendants admit that STEC
6 hosted a third quarter 2009 conference call, the transcript of which is publicly
7 available. Except as expressly admitted, Defendants deny the allegations of this
8 Paragraph.

9 86. Answering Paragraph 86, Defendants deny the allegations of this
10 Paragraph.

11 87. Answering Paragraph 87, Defendants admit that on November 3,
12 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
13 publicly available and speaks for itself. Except as expressly admitted, Defendants
14 deny the allegations of this Paragraph.

15 88. Answering Paragraph 88, Defendants lack knowledge regarding any
16 alleged information purportedly provided by a Confidential Witness and deny the
17 allegations of this Paragraph on that basis. Answering the footnote in Paragraph
18 88, Defendants lack knowledge and information sufficient to form a belief as to
19 the truth of the allegations and deny the allegations in the footnote on that basis.
20 Defendants deny the remaining allegations of Paragraph 88 and the accompanying
21 footnote.

22 89. Answering Paragraph 89, this Paragraph contains Plaintiff's legal
23 conclusions to which no response is required. To the extent that Paragraph 89
24 contains factual assertions requiring a response, Defendants deny the allegations
25 of this Paragraph.

26 90. Answering Paragraph 90, Defendants admit that a copy of the \$120
27 million agreement between STEC and EMC announced on July 16, 2009, has not
28 been formally filed with the SEC. Except as expressly admitted, Defendants deny

1 the allegations of this Paragraph.

2 91. Answering Paragraph 91, Defendants admit that STEC received a
3 letter from the SEC dated August 28, 2009, which letter became publicly available
4 on or after December 4, 2009. Except as expressly admitted, Defendants deny the
5 allegations of this Paragraph.

6 92. Answering Paragraph 92, Defendants admit that STEC received a
7 letter from the SEC dated August 28, 2009, which letter became publicly available
8 on or after December 4, 2009. Except as expressly admitted, Defendants deny the
9 allegations of this Paragraph.

10 93. Answering Paragraph 93, Defendants admit that STEC submitted a
11 letter to the SEC dated September 10, 2009 and signed by Raymond D. Cook,
12 which letter became publicly available on or after December 4, 2009. Except as
13 expressly admitted, Defendants deny the allegations of this Paragraph.

14 94. Answering Paragraph 94, Defendants admit that STEC received a
15 letter from the SEC dated September 30, 2009, which letter became publicly
16 available on or after December 4, 2009. Except as expressly admitted, Defendants
17 deny the allegations of this Paragraph.

18 95. Answering Paragraph 95, Defendants admit that STEC submitted a
19 letter to the SEC dated October 13, 2009 and signed by Raymond D. Cook, which
20 letter became publicly available on or after December 4, 2009. Except as
21 expressly admitted, Defendants deny the allegations of this Paragraph.

22 96. Answering Paragraph 96, this Paragraph sets forth Plaintiff's legal
23 conclusions and does not require a response from Defendants. To the extent that
24 this Paragraph contains factual assertions requiring a response, Defendants deny
25 the allegations of this Paragraph.

26 97. Answering Paragraph 97, Defendants admit that on August 3, 2009,
27 STEC filed a Prospectus on Form 424B3 with the SEC, which Prospectus is
28 publicly available. Except as expressly admitted, Defendants deny the allegations

1 of this Paragraph.

2 98. Answering Paragraph 98, Defendants admit that STEC submitted a
3 letter to the SEC dated September 10, 2009 and signed by Raymond D. Cook,
4 which letter became publicly available on or after December 4, 2009. Except as
5 expressly admitted, Defendants deny the allegations of this Paragraph.

6 99. Answering Paragraph 99, this Paragraph sets forth Plaintiff's legal
7 conclusions and does not require a response from Defendants. To the extent that
8 this Paragraph contains factual assertions requiring a response, Defendants deny
9 the allegations of this Paragraph.

10 100. Answering Paragraph 100, this Paragraph sets forth Plaintiff's legal
11 conclusions and does not require a response from Defendants. To the extent that
12 this Paragraph contains factual assertions requiring a response, Defendants deny
13 the allegations of this Paragraph.

14 101. Answering Paragraph 101, this Paragraph sets forth Plaintiff's legal
15 conclusions and does not require a response from Defendants. To the extent that
16 this Paragraph contains factual assertions requiring a response, Defendants deny
17 the allegations of this Paragraph.

18 102. Answering Paragraph 102, Defendants admit that on August 3, 2009,
19 STEC filed a Prospectus on Form 424B3 with the SEC, which Prospectus is
20 publicly available. Except as expressly admitted, Defendants deny the allegations
21 of this Paragraph.

22 103. Answering Paragraph 103, Defendants admit that on August 3, 2009,
23 STEC filed an earnings release on Form 8-K for second quarter 2009 with the
24 SEC, which 8-K is publicly available. Except as expressly admitted, Defendants
25 deny the allegations of this Paragraph.

26 104. Answering Paragraph 104, Defendants lack knowledge and
27 information sufficient to form a belief as to the truth of the allegations and deny
28 the allegations of this Paragraph on that basis.

1 105. Answering Paragraph 105, Defendants admit that on August 3, 2009,
2 Thomas Weisel Partners published an analyst report regarding STEC, which
3 report is publicly available. Except as expressly admitted, Defendants deny the
4 allegations of this Paragraph.

5 106. Answering Paragraph 106, Defendants admit that on August 4, 2009,
6 ThinkEquity LLC published an analyst report regarding STEC, which report is
7 publicly available. Except as expressly admitted, Defendants deny the allegations
8 of this Paragraph.

9 107. Answering Paragraph 107, Defendants admit that on August 4, 2009,
10 Capstone Investments published an analyst report regarding STEC, which report
11 is publicly available. Except as expressly admitted, Defendants deny the
12 allegations of this Paragraph.

13 108. Answering Paragraph 108, Defendants admit that on August 4, 2009,
14 Needham published an analyst report regarding STEC, which report is publicly
15 available. Except as expressly admitted, Defendants deny the allegations of this
16 Paragraph.

17 109. Answering Paragraph 109, with regard to the first and second
18 sentences, Defendants admit that on August 10, 2009, Wedbush Morgan
19 published an analyst report regarding STEC, which report is publicly available.
20 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

21 110. Answering Paragraph 110, Defendants admit that on August 16, 2009,
22 Deutsche Bank published an analyst report regarding STEC, which report is
23 publicly available. Except as expressly admitted, Defendants deny the allegations
24 of this Paragraph.

25 111. Answering Paragraph 111, Defendants admit that on September 9,
26 2009, J.P. Morgan published an analyst report regarding STEC, which report is
27 publicly available. Except as expressly admitted, Defendants deny the allegations
28 of this Paragraph.

112. Answering Paragraph 112, Defendants admit that on August 4, 2008, STEC hosted a second quarter 2008 conference call, and on August 3, 2009, STEC hosted a second quarter 2009 conference call, the transcripts of which are publicly available. Defendants further admit that on August 4, 2009, Capstone Investments published an analyst report regarding STEC, which report is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

113. Answering Paragraph 113, Defendants respond that STEC disclosed total revenues for ZeusIOPS SSDs during STEC's quarterly earnings calls, the transcripts of which are publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph and its footnote.

114. Answering Paragraph 114 and its chart, Defendants respond that STEC reported total ZeusIOPS revenues for each quarter of 2009 in its quarterly earnings release calls, earnings releases, and Form 10-Qs, which are publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

115. Answering Paragraph 115, Defendants deny the allegations of this Paragraph.

116. Answering Paragraph 116, Defendants deny the allegations of this Paragraph, except to the extent that the allegations constitute Plaintiff's legal conclusions to which no response is required.

117. Answering Paragraph 117, Defendants deny the allegations of this Paragraph.

118. Answering Paragraph 118, Defendants admit that on March 12, 2009, STEC hosted a fourth quarter 2008 conference call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

119. Answering Paragraph 119, Defendants admit that on November 10, 2008 and March 12, 2009, STEC hosted third quarter and fourth 2008 conference calls, the transcripts of which are publicly available. With regard to the second sentence, Defendants admit that STEC reported total revenues for fiscal year 2008 from the sales of ZeusIOPS in the amount of \$52.7 million. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

120. Answering Paragraph 120, Defendants admit that STEC hosted a third quarter 2008 conference call and that on January 14, 2008, STEC issued a press release announcing its collaboration with EMC. The transcript of this call and this press release are publicly available. Answering the footnote in Paragraph 120, Defendants lack knowledge regarding any alleged information purportedly provided by a second Confidential Witness and deny the allegations of this footnote on that basis. Except as expressly admitted, Defendants deny the allegations of this Paragraph and its footnote.

121. Answering Paragraph 121, Defendants admit that STEC filed a Form 10-K for fiscal year 2008 with the SEC, which 10-K is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

122. Answering Paragraph 122, with regard to the first and second sentences, Defendants admit that STEC filed quarterly Forms 10-Q with the SEC and that on February 23, 2010, STEC filed with the SEC a Form 10-K for fiscal year 2009, which filings are publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

123. Answering Paragraph 123, Defendants admit that on August 4, 2008, STEC hosted a second quarter 2008 conference call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

124. Answering Paragraph 124, Defendants deny the allegations of this Paragraph.

125. Answering Paragraph 125, Defendants admit that on May 11, 2009, STEC hosted a first quarter 2009 conference call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

126. Answering Paragraph 126, Defendants admit that the numbers reflected in the chart for each category match the numbers reported in STEC's Forms 10-Q for the first, second, and third quarters of 2009, but deny the characterization of such figures. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

127. Answering Paragraph 127, Defendants admit that the numbers reflected in the chart in Paragraph 126 for each category match the numbers reported in STEC's Forms 10-Q for the first, second, and third quarters of 2009, but deny the characterization of such figures. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

128. Answering Paragraph 128, Defendants admit that the numbers reflected in the chart in Paragraph 126 for each category match the numbers reported in STEC's Forms 10-Q for the first, second, and third quarters of 2009, but deny the characterization of such figures. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

129. Answering Paragraph 129, Defendants deny the allegations of this Paragraph.

130. Answering Paragraph 130, Defendants admit that on November 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

131. Answering Paragraph 131, Defendants admit that on November 3, 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations

1 of this Paragraph.

2 132. Answering Paragraph 132, Defendants admit that on November 3,
3 2009, STEC hosted a third quarter 2009 conference call and filed with the SEC an
4 earnings release on Form 8-K for third quarter 2009. The transcript of this call
5 and the earnings release are publicly available. Except as expressly admitted,
6 Defendants deny the allegations of this Paragraph.

7 133. Answering Paragraph 133, the allegations are vague and ambiguous as
8 to when the statements were allegedly made and deny the allegations on that basis.
9 To the extent that the allegations refer to STEC's third quarter 2009 conference
10 call, Defendants admit that on November 3, 2009, STEC hosted a third quarter
11 2009 conference call, the transcript of which is publicly available. Except as
12 expressly admitted, Defendants deny the allegations of this Paragraph.

13 134. Answering Paragraph 134, Defendants incorporate their answer to
14 Paragraph 133.

15 135. Answering Paragraph 135, Defendants incorporate their answer to
16 Paragraph 133.

17 136. Answering Paragraph 136, the allegations are vague and ambiguous as
18 to the source of the alleged statements and deny the allegations on that basis.
19 Answering the footnote in Paragraph 136, to the extent that the allegations refer to
20 STEC's third quarter 2008 conference call, Defendants admit that on November
21 10, 2008, STEC hosted a third quarter 2008 conference call, the transcript of
22 which is publicly available. Except as expressly admitted, Defendants deny the
23 allegations of this Paragraph and its footnote.

24 137. Answering Paragraph 137, the allegations are vague and ambiguous as
25 to the source of the alleged statements and deny the allegations on that basis. To
26 the extent that the allegations refer to STEC's third quarter 2009 conference call,
27 Defendants admit that on November 3, 2009, STEC hosted a third quarter 2009
28 conference call, the transcript of which is publicly available. Except as expressly

1 admitted, Defendants deny the allegations of this Paragraph.

2 138. Answering Paragraph 138, Defendants lack knowledge and
3 information sufficient to form a belief as to the truth of allegations regarding
4 investors' knowledge and deny the allegations on that basis.

5 139. Answering Paragraph 139, Defendants admit that on November 3,
6 2009, Oppenheimer published an analyst report regarding STEC, which report is
7 publicly available. Except as expressly admitted, Defendants deny the allegations
8 of this Paragraph.

9 140. Answering Paragraph 140, Defendants aver that on November 4,
10 2009, Wedbush published an analyst report regarding STEC, which report is
11 publicly available and speaks for itself. Except as expressly admitted, Defendants
12 deny the allegations of this Paragraph.

13 141. Answering Paragraph 141, Defendants admit that on November 4,
14 2009, B. Riley published an analyst report regarding STEC, which report is
15 publicly available. Except as expressly admitted, Defendants deny the allegations
16 of this Paragraph.

17 142. Answering Paragraph 142, Defendants admit that on November 18,
18 2009, J.P. Morgan published an analyst report regarding STEC, which report is
19 publicly available. Except as expressly admitted, Defendants deny the allegations
20 of this Paragraph.

21 143. Answering Paragraph 143, Defendants admit that on February 23,
22 2010, STEC hosted a year-end conference call, the transcript of which is publicly
23 available. Except as expressly admitted, Defendants deny the allegations of this
24 Paragraph.

25 144. Answering Paragraph 144, Defendants admit that on February 23,
26 2010, STEC hosted a fourth quarter 2009 and year-end conference call, the
27 transcript of which is publicly available. Except as expressly admitted,
28 Defendants deny the allegations of this Paragraph.

145. Answering Paragraph 145, Defendants admit that on February 23, 2010, STEC hosted a fourth quarter 2009 and year-end conference call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

146. Answering Paragraph 146, Defendants lack knowledge and information sufficient to form a belief as to the truth of allegations of this Paragraph and deny the allegations on that basis.

147. Answering Paragraph 147, Defendants admit that on February 24, 2010, Needham published an analyst report regarding STEC, which report is publicly available. Defendants lack knowledge and information sufficient to form a belief as to the truth of the remaining allegations of this Paragraph and deny the allegations on that basis. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

148. Answering Paragraph 148, Defendants admit that on February 24, 2010, J.P. Morgan published an analyst report regarding STEC, which report is publicly available. Defendants lack knowledge and information sufficient to form a belief as to the truth of the remaining allegations of this Paragraph and deny the allegations on that basis. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

149. Answering Paragraph 149, Defendants admit that on February 23, 2010, STEC filed a Form 10-K for fiscal year 2009 with the SEC, which 10-K is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

150. Answering Paragraph 150, Defendants admit that STEC has filed with the SEC quarterly reports on Form 10-Q, which 10-Qs are publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

151. Answering Paragraph 151, Defendants admit that on May 11, 2009, STEC hosted a first quarter 2009 conference call, the transcript of which is

1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 152. Answering Paragraph 152, Defendants admit that on August 3, 2009,
4 STEC filed an earnings release with the SEC on Form 8-K for second quarter
5 2009, which 8-K is publicly available. Except as expressly admitted, Defendants
6 deny the allegations of this Paragraph.

7 153. Answering Paragraph 153, Defendants admit that on August 3, 2009,
8 STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
9 publicly available. Except as expressly admitted, Defendants deny the allegations
10 of this Paragraph.

11 154. Answering Paragraph 154, Defendants deny the allegations contained
12 therein.

13 155. Answering Paragraph 155, Defendants deny the allegations contained
14 therein.

15 156. Answering Paragraph 156, Defendants admit that on August 3, 2009
16 STEC hosted a second quarter 2009 conference call, the transcript of which is
17 publicly available. Except as expressly admitted, Defendants deny the allegations
18 of this Paragraph.

19 157. Answering Paragraph 157, Defendants admit that on November 3,
20 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
21 publicly available. Except as expressly admitted, Defendants deny the allegations
22 of this Paragraph.

23 158. Answering Paragraph 158, Defendants respond that the phrases
24 “intimate relationship” and “standard feature” are vague and ambiguous and deny
25 the allegations of this Paragraph on that basis.

26 159. Answering Paragraph 159, Defendants admit that on September 9,
27 2009, J.P. Morgan published an analyst report regarding STEC, which report is
28

1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 160. Answering Paragraph 160, Defendants admit that STEC submitted a
4 letter to the SEC dated September 10, 2009 and signed by Raymond D. Cook,
5 which letter became publicly available on or after December 4, 2009. Except as
6 expressly admitted, Defendants deny the allegations of this Paragraph.

7 161. Answering Paragraph 161, Defendants admit that on November 3,
8 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
9 publicly available. Except as expressly admitted, Defendants deny the allegations
10 of this Paragraph.

11 162. Answering Paragraph 162, Defendants admit that on November 3,
12 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
13 publicly available. Except as expressly admitted, Defendants deny the allegations
14 of this Paragraph and the accompanying footnote.

15 163. Answering Paragraph 163, Defendants admit that on May 11, 2009,
16 STEC hosted a first quarter 2009 conference call, the transcript of which is
17 publicly available. Except as expressly admitted, Defendants deny the allegations
18 of this Paragraph.

19 164. Answering Paragraph 164, Defendants incorporate their answer to
20 Paragraph 163.

21 165. Answering Paragraph 165, Defendants incorporate their answer to
22 Paragraph 163.

23 166. Answering Paragraph 166, Defendants incorporate their answer to
24 Paragraph 163.

25 167. Answering Paragraph 167, with regard to the second sentence,
26 Defendants lack knowledge or information sufficient to form a belief as to the
27 truth of allegations regarding investors' conclusions and deny the allegations on
28 that basis. Further answering Paragraph 167, with regard to the third and fourth

1 sentences, Defendants admit that on May 12, 2009, Oppenheimer and Capstone
2 Investments published analyst reports regarding STEC, which reports are publicly
3 available. Except as expressly admitted, Defendants deny the allegations of this
4 Paragraph.

5 168. Answering Paragraph 168, Defendants lack knowledge regarding any
6 alleged information purportedly provided by confidential witnesses and deny the
7 allegations of this Paragraph on that basis. Defendants deny the remaining
8 allegations of Paragraph 168.

9 169. Answering Paragraph 169, Defendants lack knowledge regarding any
10 alleged information purportedly provided by confidential witnesses and deny the
11 allegations of this Paragraph on that basis. Defendants deny the remaining
12 allegations of Paragraph 169.

13 170. Answering Paragraph 170, Defendant Manouch Moshayedi denies the
14 allegations of this Paragraph. Further answering Paragraph 170, the remaining
15 Defendants lack knowledge or information sufficient to form a belief as to
16 allegations regarding Manouch Moshayedi's knowledge and further deny the
17 allegations on that basis. Defendants deny the remaining allegations of Paragraph
18 170.

19 171. Answering Paragraph 171, Defendant Manouch Moshayedi denies the
20 allegations of this Paragraph. Further answering Paragraph 171, the remaining
21 Defendants lack knowledge or information sufficient to form a belief as to
22 allegations regarding Manouch Moshayedi's knowledge and further deny the
23 allegations on that basis. Defendants deny the remaining allegations of Paragraph
24 171.

25 172. Answering Paragraph 172, Defendants admit that STEC hosted a
26 second quarter 2009 conference call, the transcript of which is publicly available.
27 Except as expressly admitted, Defendants deny the allegations of this Paragraph.
28

173. Answering Paragraph 173, Defendants admit that STEC hosted a third quarter 2009 financial earnings call, the transcript of which is publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

174. Answering Paragraph 174, Defendant Manouch Moshayedi denies the allegations of this Paragraph. Further answering Paragraph 174, the remaining Defendants lack knowledge or information sufficient to form a belief as to allegations regarding Manouch Moshayedi's knowledge and further deny the allegations on that basis. Defendants deny the remaining allegations of Paragraph 174.

175. Answering Paragraph 175, with regard to the first and second sentences, Defendants admit that STEC filed with the SEC quarterly reports on Form 10-Q during the Class Period, which 10-Qs are publicly available. With regard to the third sentence, Defendants admit that STEC filed with the SEC earnings releases on Form 8-K for the first three quarters of 2009, which filings are publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

176. Answering Paragraph 176, with regard to the first and second sentences, Defendants admit that on May 11, 2009, STEC filed with the SEC a quarterly report on Form 10-Q and an earnings release on Form 8-K, which filings are publicly available. With regard to the third sentence, Defendants further respond that the prices of STEC stock over time are publicly available. Except as expressly admitted, Defendants deny the allegations of this Paragraph.

177. Answering Paragraph 177, with regard to the first sentence, Defendants lack knowledge or information sufficient to form a belief as to the truth of allegations regarding investors' expectations and deny the allegations on that basis. With regard to the second sentence, Defendants admit that on June 10, 2009, B. Riley published an analyst report regarding STEC, which report is

1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 178. Answering Paragraph 178, with regard to the first sentence,
4 Defendants admit that on June 16, 2009, STEC issued a press release that is
5 publicly available. With regard to the second sentence, Defendants admit that on
6 November 2, 2009, Capstone Investments published an analyst report regarding
7 STEC, which report is publicly available. Except as expressly admitted,
8 Defendants deny the allegations of this Paragraph.

9 179. Answering Paragraph 179, Defendants admit that on June 16, 2009,
10 STEC issued a press release that is publicly available. Further answering
11 Paragraph 179, Defendants admit that on August 3, 2009, STEC reported revenue
12 results for the second quarter 2009 in a Form 10-Q filed with the SEC, which
13 Form 10-Q is publicly available. Except as expressly admitted, Defendants deny
14 the allegations of this Paragraph.

15 180. Answering Paragraph 180, Defendants deny the allegations of this
16 Paragraph. With regard to the second sentence, Defendants lack knowledge
17 regarding any alleged information purportedly provided by confidential witnesses
18 and deny the allegations on that basis.

19 181. Answering Paragraph 181, Defendants lack knowledge regarding any
20 alleged information purportedly provided by confidential witnesses and deny the
21 allegations of this Paragraph on that basis. Answering the footnote in Paragraph
22 181, the footnote contains legal conclusions to which no response is required, and
23 Defendants deny the allegations on that basis. With regard to the third sentence of
24 the footnote, Defendants admit that STEC filed with the SEC quarterly reports on
25 Form 10-Q during 2009, which 10-Qs are publicly available. Except as expressly
26 admitted, Defendants deny the allegations of this Paragraph and the
27 accompanying footnote.

28

1 182. Answering Paragraph 182, Defendants deny the allegations of this
2 Paragraph. Further answering Paragraph 182, Defendants lack knowledge
3 regarding any alleged information purportedly provided by a third Confidential
4 Witness, and deny the allegations on this basis.

5 183. Answering Paragraph 183, Defendants deny the allegations contained
6 therein. Further answering Paragraph 183, Defendants lack knowledge regarding
7 any alleged information purportedly provided by a third Confidential Witness, and
8 deny the allegations on this basis.

9 184. Answering Paragraph 184, Defendants deny the allegations contained
10 therein. Further answering Paragraph 184, Defendants lack knowledge regarding
11 any alleged information purportedly provided by a third Confidential Witness, and
12 deny the allegations on this basis.

13 185. Answering Paragraph 185, Defendants admit that STEC filed with the
14 SEC a Form 10-K for fiscal year 2009, which 10-K is publicly available. Except
15 as expressly admitted, Defendants deny the allegations of this Paragraph.

16 186. Answering Paragraph 186, Defendants deny the allegations of this
17 Paragraph. Further answering Paragraph 186, Defendants lack knowledge
18 regarding any alleged information purportedly provided by a fourth Confidential
19 Witness, and deny the allegations on this basis.

20 187. Answering Paragraph 187, Defendants deny the allegations of this
21 Paragraph. Further answering Paragraph 187, Defendants lack knowledge
22 regarding any alleged information purportedly provided by a third Confidential
23 Witness, and deny the allegations on this basis.

24 188. Answering Paragraph 188, Defendants deny the allegations of this
25 Paragraph. Further answering Paragraph 188, Defendants lack knowledge
26 regarding any alleged information purportedly provided by a third Confidential
27 Witness, and deny the allegations on this basis.
28

1 189. Answering Paragraph 189, Defendants deny the allegations of this
2 Paragraph. Further answering Paragraph 189, Defendants lack knowledge
3 regarding any alleged information purportedly provided by a third Confidential
4 Witness, and deny the allegations on this basis.

5 190. Answering Paragraph 190, Defendants admit that STEC reported its
6 quarterly revenues in quarterly reports filed with the SEC on Form 10-Q during
7 2009 and for the first quarter of 2010, which 10-Qs are publicly available. Except
8 as expressly admitted, Defendants deny the allegations of this Paragraph.

9 191. Answering Paragraph 191, Defendants admit that STEC filed with the
10 SEC an earnings release on Form 8-K for second quarter 2009, which 8-K is
11 publicly available. Further answering Paragraph 191, Defendants lack knowledge
12 regarding any alleged information purportedly provided by any confidential
13 witnesses, and deny the allegations on this basis. Except as expressly admitted,
14 Defendants deny the allegations of this Paragraph.

15 192. Answering Paragraph 192, Defendants admit that on August 3, 2009,
16 STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
17 publicly available. Defendants further admit that on May 6, 2010, STEC filed
18 with the SEC an earnings release on Form 8-K for the first quarter 2010, which 8-
19 K is publicly available. Except as expressly admitted, Defendants deny the
20 allegations of this Paragraph.

21 193. Answering Paragraph 193, Defendants deny the allegations of this
22 Paragraph.

23 194. Answering Paragraph 194, Defendants lack knowledge regarding any
24 alleged information purportedly provided by any confidential witnesses, and deny
25 the allegations on this basis. Defendants deny the remaining allegations of
26 Paragraph 194.

27

28

1 195. Answering Paragraph 195, Defendants admit that on June 16, 2009,
2 STEC issued a press release that is publicly available. Except as expressly
3 admitted, Defendants deny the allegations of this Paragraph.

4 196. Answering Paragraph 196, with regard to the first sentence,
5 Defendants respond that STEC's stock prices are publicly available. Defendants
6 deny the remaining allegations of Paragraph 196.

7 197. Answering Paragraph 197, with regard to the first sentence,
8 Defendants respond that prices of STEC stock over time are publicly available.
9 With regard to the second sentence, Defendants Manouch Moshayedi and Mark
10 Moshayedi admit that prior to the Secondary Offering, they collectively owned
11 approximately 35.4% of STEC's common stock, and that following the Secondary
12 Offering, they collectively retained ownership of approximately 17.3% of STEC's
13 common stock. Answering the footnote in Paragraph 197, with regard to first
14 sentence, Defendants Manouch Moshayedi and Mark Moshayedi admit that on
15 August 13, 2009, they filed Form 4s with the SEC that are publicly available.
16 With regard to the second sentence of the footnote, Defendants admit that STEC
17 announced the Secondary Offering on August 3, 2009, and further admit that the
18 Secondary Offering closed on August 11, 2009. Except as expressly admitted,
19 Defendants deny the allegations of this Paragraph and the accompanying footnote.

20 198. Answering Paragraph 198, Defendant Mark Moshayedi admits that he
21 sold 466,292 of his STEC shares in June 2008 and 400,000 additional shares in
22 March 2009 for proceeds of approximately \$6.5 million and \$3 million,
23 respectively. Defendant Manouch Moshayedi admits that he sold 400,000 of his
24 STEC shares in March 2009 for proceeds of approximately \$3 million. Except as
25 expressly admitted, Defendants deny the allegations of this Paragraph.

26 199. Answering Paragraph 199, Defendants admit that on May 29, 2009,
27 and June 16, 2009, STEC issued press releases that are publicly available.
28 Answering the footnote in Paragraph 199, with regard to the first sentence,

1 Defendants admit that Mike Moshayedi, Manouch Moshayedi and Mark
2 Moshayedi are brothers and that Mike Moshayedi served as STEC's President
3 until he retired in 2007. Except as expressly admitted, Defendants deny the
4 allegations of this Paragraph and its footnote.

5 200. Answering Paragraph 200, Defendants admit that on August 3, 2009,
6 STEC hosted a second quarter 2009 conference call, the transcript of which is
7 publicly available. Except as expressly admitted, Defendants deny the allegations
8 of this Paragraph.

9 201. Answering Paragraph 201, Defendants admit that on November 16,
10 2009, the Seeking Alpha website published commentary regarding STEC, which
11 commentary is publicly available. Except as expressly admitted, Defendants deny
12 the allegations of this Paragraph.

13 202. Answering Paragraph 202, Defendants admit that on November 3,
14 2009, STEC hosted a third quarter 2009 conference call, the transcript of which is
15 publicly available. Except as expressly admitted, Defendants deny the allegations
16 of this Paragraph.

17 203. Answering Paragraph 203, Defendants admit that on February 24,
18 2010, Barron's published an article regarding STEC, which article is publicly
19 available. Further answering Paragraph 203, Defendants respond that the prices
20 of STEC stock are publicly available. Except as expressly admitted, Defendants
21 deny the allegations of this Paragraph.

22 204. Answering Paragraph 204, with regard to the first and second
23 sentences, Defendants admit that on February 23, 2010, STEC filed with the SEC
24 a 2009 Form 10-K, and on November 2, 2010, STEC filed with the SEC a Form
25 10-Q, which filings are publicly available. With regard to the third sentence,
26 Defendants admit that the SEC filed a complaint against Manouch Moshayedi on
27 July 19, 2012, which complaint is publicly available. Except as expressly
28 admitted, Defendants deny the allegations of this Paragraph.

1 205. Answering Paragraph 205, Defendants admit that on February 26,
2 2010, STEC filed with the SEC a Form 10-K that is publicly available. Except as
3 expressly admitted, Defendants deny the allegations of this Paragraph.

4 206. Answering Paragraph 206, this Paragraph sets forth Plaintiff's legal
5 conclusions and does not require a response from Defendants. To the extent that
6 Paragraph 206 contains factual assertions requiring a response, Defendants deny
7 the allegations of this Paragraph.

8 207. Answering Paragraph 207, this Paragraph sets forth Plaintiff's legal
9 conclusions and does not require a response from Defendants. To the extent that
10 Paragraph 207 contains factual assertions requiring a response, Defendants deny
11 the allegations of this Paragraph.

12 208. Answering Paragraph 208, Defendants admit that on August 3, 2009,
13 STEC hosted a second quarter 2009 conference call, the transcript of which is
14 publicly available. Except as expressly admitted, Defendants deny the allegations
15 of this Paragraph.

16 209. Answering Paragraph 209, Defendants admit that on August 3, 2009,
17 STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
18 publicly available. With regard to the third sentence, Defendants admit that on
19 November 3, 2009, STEC hosted a third quarter 2009 conference call, the
20 transcript of which is publicly available. Except as expressly admitted,
21 Defendants deny the allegations of this Paragraph.

22 210. Answering Paragraph 210, Defendants admit that on August 3, 2009,
23 STEC hosted a second quarter 2009 conference call, the transcript of which is
24 publicly available. Except as expressly admitted, Defendants deny the allegations
25 of this Paragraph.

26 211. Answering Paragraph 211, Defendants admit that on August 4, 2009,
27 Enterprise Storage Forum published an article by Paul Shread regarding STEC,
28

1 which article is publicly available. Except as expressly admitted, Defendants
2 deny the allegations of this Paragraph.

3 212. Answering Paragraph 212, Defendants deny the allegations of this
4 Paragraph.

5 213. Answering Paragraph 213, Defendants admit that STEC hired
6 Raymond D. Cook in November 2008 and that Raymond D. Cook was not a
7 director of the Company at the time of the Secondary Offering. Further answering
8 Paragraph 213 and its footnote, Defendants admit that Raymond D. Cook did not
9 own STEC stock at the time of the Secondary Offering. Except as expressly
10 admitted, Defendants deny the allegations of this Paragraph.

11 214. Answering Paragraph 214, Defendants deny the allegations of this
12 Paragraph.

13 215. Answering Paragraph 215, Defendants admit that Rajat Bahri was not
14 an Officer of STEC during the Relevant Period, and that he was a member of
15 STEC's Board of Directors and Chair of the Board's Audit Committee during the
16 Relevant Period. Except as expressly admitted, Defendants deny the allegations
17 of this Paragraph.

18 216. Answering Paragraph 216, Defendants admit that on June 16, 2009,
19 STEC issued a press release that is publicly available. Except as expressly
20 admitted, Defendants deny the allegations of this Paragraph.

21 217. Answering Paragraph 217, Defendants admit that on July 16, 2009,
22 STEC issued a press that is publicly available. Except as expressly admitted,
23 Defendants deny the allegations of this Paragraph.

24 218. Answering Paragraph 218, Defendants admit that on August 3, 2009,
25 STEC issued an earnings release for second quarter 2009, which earnings release
26 is publicly available. Except as expressly admitted, Defendants deny the
27 allegations of this Paragraph.
28

1 219. Answering Paragraph 219, Defendants admit that on August 3, 2009,
2 STEC issued an earnings release for second quarter 2009, which earnings release
3 is publicly available. Except as expressly admitted, Defendants deny the
4 allegations of this Paragraph.

5 220. Answering Paragraph 220, Defendants admit that on August 3, 2009,
6 STEC filed with the SEC a Prospectus on Form 424B3, which Prospectus is
7 publicly available. Except as expressly admitted, Defendants deny the allegations
8 of this Paragraph.

9 221. Answering Paragraph 221, Defendants deny the allegations of this
10 Paragraph and incorporate their answer to Paragraph 220.

11 222. Answering Paragraph 222, Defendants admit that on August 3, 2009,
12 STEC filed with the SEC a Form 10-Q for second quarter, which 10-Q is publicly
13 available. Except as expressly admitted, Defendants deny the allegations of this
14 Paragraph.

15 223. Answering Paragraph 223, Defendants admit that STEC submitted a
16 letter to the SEC, dated September 10, 2009 and signed by Raymond D. Cook,
17 which letter became publicly available on or after December 4, 2009. Except as
18 expressly admitted, Defendants deny the allegations of this Paragraph.

19 224. Answering Paragraph 224, Defendants respond that the prices of
20 STEC stock over time are publicly available. Defendants deny the remaining
21 allegations of Paragraph 224.

22 225. Answering Paragraph 225, this Paragraph sets forth Plaintiff's legal
23 conclusions and does not require a response from Defendants. To the extent that
24 Paragraph 225 contains factual assertions requiring a response, Defendants deny
25 the allegations of this Paragraph.

26 226. Answering Paragraph 226, Defendants admit that on November 4,
27 2009, Wedbush published an analyst report regarding STEC, which report is
28

1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 227. Answering Paragraph 227, Defendants admit that on November 3,
4 2009, Oppenheimer published an analyst report regarding STEC, which report is
5 publicly available. Except as expressly admitted, Defendants deny the allegations
6 of this Paragraph.

7 228. Answering Paragraph 228, Defendants admit that on November 4,
8 2009, Barron's published an article regarding STEC, which article is publicly
9 available. Except as expressly admitted, Defendants deny the allegations of this
10 Paragraph.

11 229. Answering Paragraph 229, Defendants admit that on November 16,
12 2009, the Seeking Alpha website published commentary regarding STEC, which
13 commentary is publicly available. Except as expressly admitted, Defendants deny
14 the allegations of this Paragraph.

15 230. Answering Paragraph 230, this Paragraph sets forth Plaintiff's legal
16 conclusions and does not require a response from Defendants. To the extent that
17 Paragraph 230 contains factual assertions requiring a response, Defendants deny
18 the allegations of this Paragraph.

19 231. Answering Paragraph 231, Defendants admit that on July 16, 2009,
20 ABC News/Money published an article regarding STEC, which article is publicly
21 available and speaks for itself. Except as expressly admitted, Defendants deny the
22 allegations of this Paragraph.

23 232. Answering Paragraph 232, Defendants admit that on November 3,
24 2009, Oppenheimer published an analyst report regarding STEC, which report is
25 publicly available. Except as expressly admitted, Defendants deny the allegations
26 of this Paragraph.

27 233. Answering Paragraph 233, Defendants admit that on September 9,
28 2009, J.P. Morgan published an analyst report regarding STEC, which report is

1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 234. Answering Paragraph 234, Defendants admit that on November 4,
4 2009, Barron's published an article regarding STEC, which article is publicly
5 available. Except as expressly admitted, Defendants deny the allegations of this
6 Paragraph.

7 235. Answering Paragraph 235, Defendants admit that on November 4,
8 2009, Wedbush published an analyst report regarding STEC, which report is
9 publicly available. Except as expressly admitted, Defendants deny the allegations
10 of this Paragraph.

11 236. Answering Paragraph 236, this Paragraph sets forth Plaintiff's legal
12 conclusions and does not require a response from Defendants. To the extent that
13 Paragraph 236 contains factual assertions requiring a response, Defendants deny
14 the allegations of this Paragraph.

15 237. Answering Paragraph 237, Defendants admit that on November 4,
16 2009, B. Riley published an analyst report regarding STEC, which report is
17 publicly available. Except as expressly admitted, Defendants deny the allegations
18 of this Paragraph.

19 238. Answering Paragraph 238, Defendants admit that on November 4,
20 2009, J.P. Morgan published an analyst report regarding STEC, which report is
21 publicly available. Except as expressly admitted, Defendants deny the allegations
22 of this Paragraph.

23 239. Answering Paragraph 239, Defendants admit that on November 4,
24 2009, Barron's published an article regarding STEC, which article is publicly
25 available. Except as expressly admitted, Defendants deny the allegations of this
26 Paragraph.

27 240. Answering Paragraph 240, this Paragraph sets forth Plaintiff's legal
28 conclusions and does not require a response from Defendants. To the extent this

1 Paragraph contains factual assertions requiring a response, Defendants deny the
2 allegations. With regard to the second and third sentences, Defendants admit that
3 on November 3, 2009, STEC hosted a third quarter 2009 earnings release
4 conference call, the transcript of which is publicly available. Except as expressly
5 admitted, Defendants deny the allegations of this Paragraph.

6 241. Answering Paragraph 241, Defendants admit that on November 4,
7 2009, ThinkEquity LLC published an analyst report regarding STEC, which report
8 is publicly available. Except as expressly admitted, Defendants deny the
9 allegations of this Paragraph.

10 242. Answering Paragraph 242, Defendants admit that on November 4,
11 2009, B. Riley published an analyst report regarding STEC, which report is
12 publicly available. Except as expressly admitted, Defendants deny the allegations
13 of this Paragraph.

14 243. Answering Paragraph 243, Defendants respond that the prices of
15 STEC stock over time are publicly available and speak for themselves. Further
16 answering Paragraph 243, Defendants respond that this Paragraph sets forth
17 Plaintiff's legal conclusions and does not require a response from Defendants. To
18 the extent that Paragraph 243 contains factual assertions requiring a response,
19 Defendants deny the allegations of this Paragraph.

20 244. Answering Paragraph 244, Defendants respond that this Paragraph
21 sets forth Plaintiff's legal conclusions and does not require a response from
22 Defendants. To the extent that Paragraph 244 contains factual assertions requiring
23 a response, Defendants deny the allegations. Further answering Paragraph 244,
24 Defendants lack knowledge or information sufficient to form a belief as to
25 allegations regarding analysts' beliefs and further deny the allegations on that
26 basis.

27 245. Answering Paragraph 245, Defendants admit that on February 24,
28 2010, Oppenheimer published an analyst report regarding STEC, which report is

1 publicly available. Except as expressly admitted, Defendants deny the allegations
2 of this Paragraph.

3 246. Answering Paragraph 246, Defendants admit that on November 4,
4 2009, B. Riley published an analyst report regarding STEC, which report is
5 publicly available. Except as expressly admitted, Defendants deny the allegations
6 of this Paragraph.

7 247. Answering Paragraph 247, Defendants admit that on February 23,
8 2010, Deutsche Bank published an analyst report regarding STEC, which report is
9 publicly available. Except as expressly admitted, Defendants deny the allegations
10 of this Paragraph.

11 248. Answering Paragraph 248, this Paragraph sets forth Plaintiff's legal
12 conclusions and does not require a response from Defendants. To the extent that
13 Paragraph 248 contains factual assertions requiring a response, Defendants deny
14 the allegations of this Paragraph.

15 249. Answering Paragraph 249, with regard to the first sentence,
16 Defendants admit that on February 24, 2010, Needham published an analyst report
17 regarding STEC, which report is publicly available. With regard to the second
18 sentence, Defendants lack knowledge or information sufficient to form a belief as
19 to the allegations regarding analysts' or investors' expectations and further deny
20 the allegations on that basis. Except as expressly admitted, Defendants deny the
21 allegations of this Paragraph.

22 250. Answering Paragraph 250, Defendants admit that on February 24,
23 2010, J.P. Morgan published an analyst report regarding STEC, which report is
24 publicly available. Further answering Paragraph 250, Defendants lack knowledge
25 or information sufficient to form a belief as to the allegations regarding analysts'
26 or investors' knowledge and further deny the allegations on that basis. Except as
27 expressly admitted, Defendants deny the allegations of this Paragraph.

28

1 251. Answering Paragraph 251, Defendants admit that this Paragraph sets
2 forth Plaintiff's legal conclusions and does not require a response from
3 Defendants. To the extent that Paragraph 251 contains factual assertions requiring
4 a response, Defendants deny the allegations contained therein.

5 252. Answering Paragraph 252, Defendants admit that on February 24,
6 2010, Reuters published a news article regarding STEC, which article is publicly
7 available. Except as expressly admitted, Defendants deny the allegations of this
8 Paragraph.

9 253. Answering Paragraph 253, Defendants deny the allegations of this
10 Paragraph.

11 254. Answering Paragraph 254, Defendants admit that this Paragraph sets
12 forth Plaintiff's legal conclusions and does not require a response from
13 Defendants. To the extent that Paragraph 254 contains factual assertions requiring
14 a response, Defendants deny the allegations contained therein.

15 255. Answering Paragraph 255, Defendants admit that on February 23,
16 2010, Deutsche Bank published an analyst report regarding STEC, which report is
17 publicly available. Except as expressly admitted, Defendants deny the allegations
18 of this Paragraph.

19 256. Answering Paragraph 256, Defendants admit that on February 24,
20 2010, Needham published an analyst report regarding STEC, which report is
21 publicly available. Except as expressly admitted, Defendants deny the allegations
22 of this Paragraph.

23 257. Answering Paragraph 257, Defendants admit that this Paragraph sets
24 forth Plaintiff's legal conclusions and does not require a response from
25 Defendants. To the extent that Paragraph 257 contains factual assertions requiring
26 a response, Defendants deny the allegations. Further answering Paragraph 257,
27 Defendants admit that on February 24, 2010, the Associated Press and Barron's
28

1 each published an article regarding STEC, each of which is publicly available.
2 Except as expressly admitted, Defendants deny the allegations of this Paragraph.

3 258. Answering Paragraph 258, Defendants admit that this Paragraph sets
4 forth Plaintiff's legal conclusions and does not require a response from
5 Defendants. To the extent that Paragraph 258 contains factual assertions requiring
6 a response, Defendants deny the allegations. Further answering Paragraph 258,
7 Defendants lack knowledge or information sufficient to form a belief as to the
8 allegations regarding analysts' beliefs and further deny the allegations of this
9 Paragraph on that basis.

10 259. Answering Paragraph 259, Defendants admit that on February 24,
11 2010, J.P. Morgan published an analyst report regarding STEC, which report is
12 publicly available. Except as expressly admitted, Defendants deny the allegations
13 of this Paragraph.

14 260. Answering Paragraph 260, Defendants admit that on February 24,
15 2010, Thomas Weisel Partners published an analyst report regarding STEC, which
16 report is publicly available. Except as expressly admitted, Defendants deny the
17 allegations of this Paragraph.

18 261. Answering Paragraph 261, Defendants admit that on February 24,
19 2010, Barron's published two articles regarding STEC, each of which is publicly
20 available. Except as expressly admitted, Defendants deny the allegations of this
21 Paragraph.

22 262. Answering Paragraph 262, Defendants admit that this Paragraph sets
23 forth Plaintiff's legal conclusions and does not require a response from
24 Defendants. To the extent that Paragraph 251 contains factual assertions requiring
25 a response, Defendants deny the allegations of this Paragraph.

26 263. Answering Paragraph 263, Defendants admit that on July 19, 2012,
27 the SEC filed a complaint against Manouch Moshayedi, which is publicly
28

1 available. Except as expressly admitted, Defendants deny the allegations of this
2 Paragraph.

3 264. Answering Paragraph 264 and its subparagraphs, Defendants
4 incorporate their answer to Paragraph 263.

5 265. Answering Paragraph 265 and its subparagraphs, Defendants
6 incorporate their answer to Paragraph 263.

7 266. Answering Paragraph 266, Defendants admit that this Paragraph sets
8 forth Plaintiff's legal conclusions and does not require a response from
9 Defendants. To the extent that Paragraph 266 contains factual assertions requiring
10 a response, Defendants deny the allegations of this Paragraph.

11 267. Answering Paragraph 267 and its subparagraphs, Defendants admit
12 that this Paragraph sets forth Plaintiff's legal conclusions and does not require a
13 response from Defendants. To the extent that Paragraph 267 contains factual
14 assertions requiring a response, Defendants deny the allegations of this Paragraph
15 and subparagraphs.

16 268. Answering Paragraph 268, Defendants admit that this Paragraph sets
17 forth Plaintiff's legal conclusions and does not require a response from
18 Defendants. To the extent that Paragraph 268 contains factual assertions requiring
19 a response, Defendants deny the allegations of this Paragraph.

20 **COUNT I**

21 **Violation of Section 10(b) of the Exchange Act and Rule 10b-5** 22 **(against the Securities Fraud Defendants)**

23 269. Answering Paragraph 269, Defendants incorporate their answers to
24 Paragraphs 1-268.

25 270. Answering Paragraph 270, Defendants deny the allegations of this
26 Paragraph.

27 271. Answering Paragraph 271, Defendants incorporate their answer to
28 Paragraph 270.

272. Answering Paragraph 272, Defendants incorporate their answer to Paragraph 270.

273. Answering Paragraph 273, Defendants incorporate their answer to Paragraph 270.

274. Answering Paragraph 274, Defendants incorporate their answer to Paragraph 270.

275. Answering Paragraph 275, Defendants incorporate their answer to Paragraph 270.

276. Answering Paragraph 276, Defendants incorporate their answer to Paragraph 270.

277. Answering Paragraph 277, Defendants incorporate their answer to Paragraph 270.

278. Answering Paragraph 278, Defendants incorporate their answer to Paragraph 270.

279. Answering Paragraph 279, Defendants incorporate their answer to Paragraph 270.

280. Answering Paragraph 280, Defendants incorporate their answer to Paragraph 270.

COUNT II

Violation of Section 20(a) of the Exchange Act

(against the Securities Fraud Defendants)

281. Answering Paragraph 281, Defendants incorporate their answers to Paragraphs 1-280.

282. Answering Paragraph 282, Defendants deny the allegations of this Paragraph.

283. Answering Paragraph 283, Defendants incorporate their answer to Paragraph 282.

284. Answering Paragraph 284, Defendants incorporate their answer to Paragraph 282.

285. Answering Paragraph 285, Defendants incorporate their answer to Paragraph 282.

286. Answering Paragraph 286, Defendants incorporate their answer to Paragraph 282.

287. Answering Paragraph 287, Defendants incorporate their answer to Paragraph 282.

288. Answering Paragraph 288, Defendants incorporate their answer to Paragraph 282.

289. Answering Paragraph 289, Defendants incorporate their answer to Paragraph 282.

COUNT III

Breach of Fiduciary Duty

(Derivatively on Behalf of STEC, and against the Officer/Director Defendants)

290. Answering Paragraph 290, Defendants expressly reserve response to Plaintiff's demand allegations and derivative claims, and no part of this answer, or any of the answers contained above in Paragraphs 1-289, is intended to constitute an answer or response to any such allegations or claims.

291. Answering Paragraph 291, Defendants incorporate their answer to Paragraph 290.

292. Answering Paragraph 292, Defendants incorporate their answer to Paragraph 290.

293. Answering Paragraph 293, Defendants incorporate their answer to Paragraph 290.

294. Answering Paragraph 294, Defendants incorporate their answer to Paragraph 290.

1 295. Answering Paragraph 295, Defendants incorporate their answer to
2 Paragraph 290.

3 296. Answering Paragraph 296, Defendants incorporate their answer to
4 Paragraph 290.

5 297. Answering Paragraph 297, Defendants incorporate their answer to
6 Paragraph 290.

7 298. Answering Paragraph 298, Defendants incorporate their answer to
8 Paragraph 290.

9 299. Answering Paragraph 299, Defendants incorporate their answer to
10 Paragraph 290.

11 300. Answering Paragraph 300, Defendants incorporate their answer to
12 Paragraph 290.

13 301. Answering Paragraph 301, Defendants incorporate their answer to
14 Paragraph 290.

15 302. Answering Paragraph 302, Defendants incorporate their answer to
16 Paragraph 290.

17 303. Answering Paragraph 303, Defendants incorporate their answer to
18 Paragraph 290.

19 304. Answering Paragraph 304, Defendants incorporate their answer to
20 Paragraph 290.

21 305. Answering Paragraph 305, Defendants incorporate their answer to
22 Paragraph 290.

23 306. Answering Paragraph 306, Defendants incorporate their answer to
24 Paragraph 290.

25 307. Answering Paragraph 307, Defendants incorporate their answer to
26 Paragraph 290.

27 308. Answering Paragraph 308, Defendants incorporate their answer to
28 Paragraph 290.

309. Answering Paragraph 309, Defendants incorporate their answer to Paragraph 290.

310. Answering Paragraph 310, Defendants incorporate their answer to Paragraph 290.

311. Answering Paragraph 311, Defendants incorporate their answer to Paragraph 290.

312. Answering Paragraph 312, Defendants incorporate their answer to Paragraph 290.

COUNT IV

Unjust Enrichment

(Derivatively on Behalf of STEC against Defendants Manouch Moshayedi, Mark and Mike Moshayedi and the Trust Defendants)

313. Answering Paragraph 313, Defendants incorporate their answer to Paragraph 290.

314. Answering Paragraph 314, Defendants incorporate their answer to Paragraph 290.

315. Answering Paragraph 315, Defendants incorporate their answer to Paragraph 290.

316. Answering Paragraph 316, Defendants incorporate their answer to Paragraph 290.

COUNT V

Violation of California Corporations Code § 25402

(Derivatively on Behalf of STEC against Defendants Manouch Moshayedi, Mark and Mike Moshayedi and the Trust Defendants)

317. Answering Paragraph 317, Defendants incorporate their answer to Paragraph 290.

318. Answering Paragraph 318, Defendants incorporate their answer to Paragraph 290.

319. Answering Paragraph 319, Defendants incorporate their answer to Paragraph 290.

320. Answering Paragraph 320, Defendants incorporate their answer to Paragraph 290.

COUNT VI

Waste of Corporate Assets

**(Derivatively on Behalf of STEC against the
Officer/Director Defendants)**

321. Answering Paragraph 321, Defendants incorporate their answer to Paragraph 290.

322. Answering Paragraph 322, Defendants incorporate their answer to Paragraph 290.

323. Answering Paragraph 323, Defendants incorporate their answer to Paragraph 290.

324. Answering Paragraph 324, Defendants incorporate their answer to Paragraph 290.

PRAAYER FOR RELIEF

To the extent that any response is required to Plaintiff's prayer for relief, Defendants deny each and every allegation contained therein.

JURY DEMAND

Defendants demand a trial by jury on all triable issues.

Defendants reserve the right to amend their Answer as necessary once the precise nature of the relevant circumstances or events is determined through discovery.

1 **AFFIRMATIVE DEFENSES**

2 Without admitting or acknowledging that the Defendants bear any burden of
3 proof as to any of them, Defendants assert the following affirmative defenses with
4 respect to Plaintiff's Securities Law claims:³

5 **First Affirmative Defense**

6 The Complaint, and each claim alleged therein, fails to state a claim upon
7 which relief can be granted.

8 **Second Affirmative Defense**

9 The claims alleged in the Complaint are barred in whole or in part by the
10 doctrines of waiver, estoppel, ratification, or unclean hands.

11 **Third Affirmative Defense**

12 Certain alleged untrue statements of material fact, omissions of material fact,
13 misleading statements, or other challenged statements allegedly made by
14 Defendants are rendered non-actionable by the Safe Harbor provisions of the
15 Private Securities Litigation Reform Act of 1995, adding Section 21E to the
16 Securities Exchange Act of 1934, as codified at 15 U.S.C. § 78u-5(c).

17 **Fourth Affirmative Defense**

18 Plaintiff failed to make reasonable efforts to mitigate any injury or damage
19 they may have suffered, which would have prevented or reduced their injury or
20 damages, if any.

21 **Fifth Affirmative Defense**

22 Plaintiff had actual or constructive knowledge of some or all of the facts
23 alleged in the Complaint upon which Defendants' liability is asserted at the time
24 that Plaintiff purchased STEC stock. Plaintiff assumed the risk that the value of
25 the STEC stock could decline.

26 _____
27 ³ Defendants expressly reserve the right to assert affirmative defenses to
28 Plaintiff's demand and derivative allegations. Nothing in this answer shall limit
Defendants' right to subsequently assert any affirmative defenses with respect
to Plaintiff's demand and derivative allegations.

1 **Sixth Affirmative Defense**

2 Plaintiff's claims are barred in whole or in part because the statements,
3 reports, and/or filings allegedly issued by Defendants contained sufficient
4 cautionary language, and bespoke caution with respect to the subject matter of each
5 misrepresentation or omission alleged in the Complaint, so as to warn Plaintiff and
6 members of the purported class of the risks of investing in STEC stock.

7 **Seventh Affirmative Defense**

8 Plaintiff would have acquired STEC common stock even if, at the time the
9 stock was acquired, Plaintiff had known of the allegedly untrue statements of
10 material fact, omissions of material fact, misleading statements, or other wrongful
11 conduct upon which Defendants' liability is asserted.

12 **Eighth Affirmative Defense**

13 When Plaintiff acquired shares of STEC common stock, Plaintiff knew, or in
14 the exercise of reasonable care should have known, of facts with respect to the
15 allegedly untrue statements of material fact, omissions of material fact, misleading
16 statements, or other actions by Defendants alleged in the Complaint, and Plaintiff
17 was negligent, and this negligence was a cause-in-fact and a proximate cause of
18 any alleged damages. Such negligence bars recovery in whole or in part by each
19 member of the purported class.

20 **Ninth Affirmative Defense**

21 No act or omission attributed to any Defendant in the Complaint was the
22 actual or proximate cause of any injury suffered by Plaintiff.

23 **Tenth Affirmative Defense**

24 Any recovery for damages, if any, allegedly incurred by Plaintiff is limited
25 to the percentage of responsibility of Defendants in proportion to the total fault of
26 all persons, named as parties to this action or not, who caused or contributed to
27 Plaintiff's alleged damages, pursuant to the Proportionate Liability provisions of
28 the Private Securities Litigation Reform Act of 1995, as codified at 15 U.S.C. §

78u-4(f)(2)(B). The acts and practices of persons or entities not associated with Defendants and ongoing economic events constitute independent intervening and superseding causes of the alleged harm, if any, suffered by Plaintiff, relieving Defendants of any liability.

Eleventh Affirmative Defense

Any recovery for damages, if any, allegedly incurred by Plaintiff is subject to offset in the amount of any tax benefits actually received by Plaintiff or through their investments.

Twelfth Affirmative Defense

Defendants are not liable for certain statements alleged in the Complaint to be untrue or to have omitted a material fact because Plaintiff abandoned or waived claims based on these alleged statements.

Thirteenth Affirmative Defense

Each and every one of Defendants alleged to be a control person under Section 20(a) of the 1934 Act acted in good faith and did not directly or indirectly induce any acts constituting the alleged violations and causes of action.

Fourteenth Affirmative Defense

In executing or authorizing the execution and/or publication of any document containing the statements complained of in the Complaint, Defendants were entitled to, and did, reasonably and in good faith rely upon the work and conclusions of other professionals and experts.

Fifteenth Affirmative Defense

Plaintiff lacks standing to assert the claims set forth in the Complaint.

Sixteenth Affirmative Defense

The claims alleged in the Complaint are barred in whole or in part by the applicable statute(s) of limitations.

Seventeenth Affirmative Defense

Plaintiff's claims are barred in whole or in part by the doctrines of res judicata and/or collateral estoppel.

Defendants reserve the right to assert additional affirmative defenses once the precise nature of the relevant circumstances or events is determined through discovery.

WHEREFORE, Defendants pray that this Court enter judgment as follows:

1. That judgment be entered in favor of Defendants;
 2. For costs, attorneys' fees, and court hearing fees incurred herein;
- and
3. For such other and further relief as this Court deems just and proper.

DATED: May 10, 2013

LATHAM & WATKINS LLP

By /s/ Patrick E. Gibbs

Patrick E. Gibbs (Bar No. 183174)
patrick.gibbs@lw.com
Matthew Rawlinson (Bar No. 231890)
matt.rawlinson@lw.com
140 Scott Drive
Menlo Park, CA 94025
Telephone: (650) 328-4600
Facsimile: (650) 463-2600

Michele D. Johnson (Bar No. 198298)
michele.johnson@lw.com
Colleen C. Smith (Bar No. 231216)
colleen.smith@lw.com
650 Town Center Drive, 20th Floor
Costa Mesa, CA 92626
Telephone: (714) 540-1235
Facsimile: (714) 755-8290

*Attorneys for Defendants Manouch
Moshayedi, Mehrdad Moshayedi,
Raymond D. Cook, and Rajat Bahri*